



CHESTER J. CULVER  
GOVERNOR

## OFFICE OF THE GOVERNOR

PATTY JUDGE  
LT. GOVERNOR

April 14, 2010

The Honorable Michael Mauro  
Secretary of State  
State Capitol Building  
LOCAL

Dear Mr. Secretary:

I hereby transmit:

**Senate File 2388**, an Act establishing a hospital health care access assessment program, providing penalties, providing a future repeal, and including effective date and contingent implementation provisions.

The above Senate File is hereby approved this date.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Culver", written over the printed name.

Chester J. Culver  
Governor

CJC:bdj

cc: Secretary of the Senate  
Chief Clerk of the House





Senate File 2388

AN ACT

ESTABLISHING A HOSPITAL HEALTH CARE ACCESS ASSESSMENT PROGRAM,  
PROVIDING PENALTIES, PROVIDING A FUTURE REPEAL, AND  
INCLUDING EFFECTIVE DATE AND CONTINGENT IMPLEMENTATION  
PROVISIONS.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. INTENT OF THE GENERAL ASSEMBLY. It is the intent of the general assembly that the hospital health care access assessment program created in this Act be implemented as a three-year pilot program to determine its efficacy in providing adequate reimbursement to hospitals in the state, reducing the level of uncompensated care and cost-shifting, enhancing the health care workforce, and expanding access to quality health care for low-income and uninsured Iowans. It is the intent of the general assembly that the pilot program be evaluated for such efficacy prior to the program's repeal or continuation.

Sec. 2. NEW SECTION. 249M.1 Title.

This chapter shall be known as the "*Hospital Health Care Access Assessment Program*".

Sec. 3. NEW SECTION. 249M.2 Definitions.

As used in this chapter, unless the context otherwise requires:

1. "*Assessment*" means the hospital health care access assessment imposed pursuant to this chapter.
2. "*Department*" means the department of human services.
3. "*Net patient revenue*" means all revenue reported by a hospital on the hospital's 2008 Medicare cost report for acute patient care and services, but does not include contractual adjustments, charity care, bad debt, Medicare revenue, or other revenue derived from sources other than hospital operations

including but not limited to nonoperating revenue, other operating revenue, skilled nursing facility revenue, physician revenue, and long-term care revenue.

4. "*Nonoperating revenue*" means income from activities not relating directly to the day-to-day operations of a hospital such as gains from disposal of a hospital's assets, dividends and interests from security investments, gifts, grants, and endowments.

5. "*Other operating revenue*" means income from nonpatient care services including but not limited to tax levy receipts, laundry services, gift shop operations, meal services to individuals other than patients, and vending machine commissions.

6. "*Participating hospital*" means a nonstate-owned hospital licensed under chapter 135B that is paid on a prospective payment system basis by Medicare and the medical assistance program for inpatient and outpatient services.

7. "*Program*" means the hospital health care access assessment program created in this chapter.

8. "*Trust fund*" means the hospital health care access trust fund created in section 249M.4.

9. "*Upper payment limit*" means the maximum ceiling imposed by federal regulation on a participating hospital's medical assistance program reimbursement for inpatient services under 42 C.F.R. § 447.272 and outpatient services under 42 C.F.R. § 447.321, calculated separately for hospital inpatient and outpatient services, and excluding from the calculation medical assistance program disproportionate share hospital payments.

Sec. 4. **NEW SECTION. 249M.3 Hospital health care access assessment program — termination of program.**

1. A hospital health care access assessment is imposed on each participating hospital in this state to be used to promote access to health care services for Iowans, including those served by the medical assistance program.

2. The assessment rate for a participating hospital shall be calculated as one and twenty-six one hundredths percent of net patient revenue as specified in the hospital's fiscal year 2008 Medicare cost report.

3. If a participating hospital's fiscal year 2008 Medicare cost report is not contained in the file of the centers for Medicare and Medicaid services health care cost report information system dated June 30, 2009, the hospital shall submit a copy of the hospital's 2008 Medicare cost report to the

department to allow the department to determine the hospital's net patient revenue for fiscal year 2008.

4. A participating hospital paid under the prospective payment system by Medicare and the medical assistance program that was not in existence prior to fiscal year 2008, shall submit a prospective Medicare cost report to the department to determine anticipated net patient revenue.

5. Net patient revenue as reported on each participating hospital's fiscal year 2008 Medicare cost report shall be the sole basis for the health care access assessment for the duration of the program.

6. A participating hospital shall pay the assessment to the department in equal amounts on a quarterly basis. A participating hospital shall submit the assessment amount no later than thirty days following the end of each calendar quarter.

7. A participating hospital shall retain and preserve the Medicare cost report and financial statements used to prepare the cost report for a period of three years. All information obtained by the department under this subsection is confidential and does not constitute a public record.

8. The department shall collect the assessment imposed and shall deposit all revenues collected in the hospital health care access trust fund created in section 249M.4.

9. If the department determines that a participating hospital has underpaid or overpaid the assessment, the department shall notify the participating hospital of the amount of the unpaid assessment or refund due. Such payment or refund shall be due or refunded within thirty days of the issuance of the notice.

10. *a.* A participating hospital that fails to pay the assessment within the time frame specified in this section shall pay, in addition to the outstanding assessment, a penalty of one and five-tenths percent of the assessment amount owed for each month or portion of each month that the payment is overdue. However, if the department determines that good cause is shown for failure to comply with payment of the assessment, the department shall waive the penalty or a portion of the penalty.

*b.* If an assessment is not received by the department by the last day of the month in which the payment is due, the department shall withhold an amount equal to the assessment and penalty owed from any payment due such participating hospital under the medical assistance program.

*c.* The assessment imposed under this chapter constitutes a debt due the state and may be collected by civil action under any method provided for by law.

*d.* Any penalty collected pursuant to this subsection shall be credited to the hospital health care access trust fund created in section 249M.4.

11. If the federal government fully funds Iowa's medical assistance program, if federal law changes to negatively impact the assessment program as determined by the department, or if a federal audit determines the assessment program is invalid, the department shall terminate the imposition of the assessment and the program beginning on the date the federal statutory, regulatory, or interpretive change takes effect.

Sec. 5. NEW SECTION. 249M.4 Hospital health care access trust fund — board.

1. A hospital health care access trust fund is created in the state treasury under the authority of the department. Moneys received through the collection of the hospital health care access assessment imposed under this chapter and any other moneys specified for deposit in the trust fund shall be deposited in the trust fund.

2. Moneys in the trust fund shall be used, subject to their appropriation by the general assembly, by the department to reimburse participating hospitals the medical assistance program upper payment limit for inpatient and outpatient hospital services as calculated in this section. Following payment of such upper payment limit to participating hospitals, any remaining funds in the trust fund on an annual basis may be used for any of the following purposes:

*a.* To support medical assistance program utilization shortfalls.

*b.* To maintain the state's capacity to provide access to and delivery of services for vulnerable Iowans.

*c.* To support payments to nonparticipating hospitals under the IowaCare program pursuant to chapter 249J.

*d.* To fund the health care workforce support initiative created pursuant to section 135.175.

*e.* To support access to health care services for uninsured Iowans.

*f.* To support Iowa hospital programs and services which expand access to health care services for Iowans.

3. The trust fund shall be separate from the general fund of the state and shall not be considered part of the general

fund. The moneys in the trust fund shall not be considered revenue of the state, but rather shall be funds of the hospital health care access assessment program. The moneys deposited in the trust fund are not subject to section 8.33 and shall not be transferred, used, obligated, appropriated, or otherwise encumbered, except to provide for the purposes of this chapter. Notwithstanding section 12C.7, subsection 2, interest or earnings on moneys deposited in the trust fund shall be credited to the trust fund.

4. The department shall adopt rules pursuant to chapter 17A to administer the trust fund and reimbursements and expenditures as specified in this chapter made from the trust fund.

5. *a.* Beginning July 1, 2010, or the implementation date of the hospital health care access assessment program as determined by receipt of approval from the centers for Medicare and Medicaid services of the United States department of health and human services, whichever is later, the department shall increase the diagnostic related groups and ambulatory patient classifications base rates to provide payments to participating hospitals at the Medicare upper payment limit for the fiscal year beginning July 1, 2010, calculated as of July 31, 2010. Each participating hospital shall receive the same percentage increase, but the percentage may differ depending on whether the basis for the base rate increase is the diagnostic related groups or ambulatory patient classifications.

*b.* The percentage increase shall be calculated by dividing the amount calculated under subparagraph (1) by the amount calculated under subparagraph (2) as follows:

(1) The amount under the Medicare upper payment limit for the fiscal year beginning July 1, 2010, for participating hospitals.

(2) The projected expenditures for participating hospitals for the fiscal year beginning July 1, 2010, as determined by the fiscal management division of the department, plus the amount calculated under subparagraph (1).

6. For the fiscal year beginning July 1, 2011, and for each fiscal year beginning July 1, thereafter, the payments to participating hospitals shall continue to be calculated based on the upper payment limit as calculated for the fiscal year beginning July 1, 2010.

7. Reimbursement of participating hospitals shall incorporate the rebasing process for inpatient and outpatient

services for state fiscal year 2012. However, the total amount of increased funding available for reimbursement attributable to rebasing shall not exceed four million five hundred thousand dollars for state fiscal year 2012 and six million dollars for state fiscal year 2013.

8. Any payments to participating hospitals under this section shall result in budget neutrality to the general fund of the state.

9. *a.* A hospital health care access trust fund board is established consisting of the following members:

(1) The co-chairpersons and the ranking members of the joint appropriations subcommittee on health and human services.

(2) The Iowa medical assistance program director.

(3) Two hospital executives representing the two largest private health care systems in the state.

(4) The president of the Iowa hospital association.

(5) A representative of a consumer advocacy group, involved in both state and national initiatives, that provides data on key indicators of well-being for children and families in order to inform policymakers to help children and families succeed.

*b.* The board shall do all of the following:

(1) Provide oversight of the trust fund.

(2) Make recommendations regarding the hospital health care access assessment program, including recommendations regarding the assessment calculation, assessment amounts, payments to participating hospitals, and use of the moneys in the trust fund.

(3) Submit an annual report to the governor and the general assembly regarding the use and expenditure of moneys deposited in the trust fund.

*c.* The department shall provide administrative assistance to the board.

Sec. 6. NEW SECTION. 249M.5 Future repeal.

This chapter is repealed June 30, 2013.

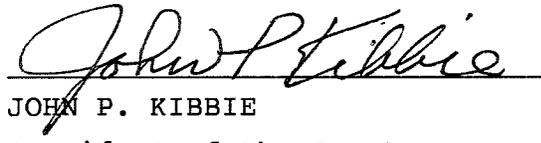
Sec. 7. DIRECTIVE TO DEPARTMENT OF HUMAN SERVICES. Upon enactment of this Act, the department of human services shall request any waivers or medical assistance state plan amendments necessary to implement this Act from the United States department of health and human services.

Sec. 8. CONTINGENCY PROVISIONS.

1. The hospital health care access assessment created in this Act shall not be imposed retroactively prior to July 1, 2010.

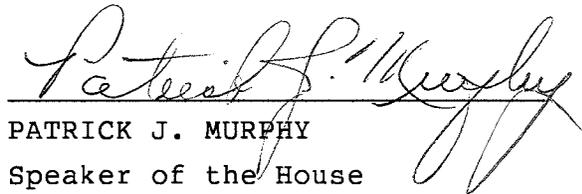
2. The assessment shall not be collected until the department of human services has received approval of the assessment from the centers for Medicare and Medicaid services of the United States department of health and human services.

Sec. 9. EFFECTIVE UPON ENACTMENT AND CONTINGENT IMPLEMENTATION. This Act, being deemed of immediate importance, takes effect upon enactment. However, the department of human services shall only implement this Act if the department receives approval of the requests relating to waivers and medical assistance state plan amendments necessary to implement this Act.



JOHN P. KIBBIE

President of the Senate



PATRICK J. MURPHY

Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 2388, Eighty-third General Assembly.



MICHAEL E. MARSHALL

Secretary of the Senate

Approved April 14<sup>th</sup>, 2010



CHESTER J. CULVER

Governor